

DOCUMENT RESUME

ED 199 152

SO 013 210

AUTHOR Hewett, Edward A.
TITLE Economic Management and Mismanagement. IREX Occasional Papers, Volume 1, Number 2.
INSTITUTION International Research and Exchange Board, New York, N.Y.
SPONS AGENCY Ford Foundation, New York, N.Y.; International Communication Agency, Washington, D.C.; National Endowment for the Humanities (NEH), Washington, D.C.
PUB DATE 80
NOTE 22p.; Paper presented at the Conference on Scholarly Exchanges with the USSR and Eastern Europe: Two Decades of American Experience (Washington, DC, May 10-13, 1979). For related documents, see SO 013 209 and SO 013 211-212.
EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Area Studies; *Economics; *International Educational Exchange; Policy Formation; *Political Issues; *Research Needs
IDENTIFIERS Europe (East); USSR

ABSTRACT

The paper discusses major lines of research of American economists on the economies of the USSR and Eastern Europe. A specific concern is that the United States faces a complex set of issues resulting from the expanding role of these countries in the world economy. At the same time, the United States is experiencing a declining base of specialists in Soviet and East European economics. Presently, much of the work on the Soviet economy concerns three themes: how the system is organized and how it operates; efficiency evaluation in terms of goals or of hypothetical performance; and how the system performs relative to other Eastern and Western countries. One of the most successful projects is SOVMOD, a computer-based series of models of the Soviet economy. Academic exchanges, however, have played a relatively minor role in research development. The benefits of travel for the American economist are small. Documents are generally classified and Soviet economists are not encouraged to work with their American counterparts. Thus, the predominant form of exchange may become short stays by individuals or delegations and conferences. East European exchanges have been more promising, particularly in Hungary, Poland, and Yugoslavia. East European economists are more informed about Western approaches, and data are better and more plentiful. The document concludes with a brief comment by a conference participant who differs with the author on the benefits of research in the Soviet Union. (Author/KC)

* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *

ED199152

50 013 210

Working Papers

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY.

MAR 25 1981

Economic Management and Mismanagement

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

Dorothy W. Knapp

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)."

Conference on
Scholarly Exchanges
with the USSR
and Eastern Europe:

Two Decades of American Experience

May 10-13, 1979

IREX, the International Research & Exchanges Board, is the leading American channel for communication with the USSR and Eastern Europe in the social sciences and humanities. The American Council of Learned Societies and the Social Science Research Council established IREX in 1968 at the initiative of US universities, the Ford Foundation, and the Department of State, as an independent, non-profit organization to administer America's advanced research exchanges with socialist countries.

IREX programs are supported by grants from the US International Communication Agency, the National Endowment for the Humanities, the Ford Foundation, other private foundations, and corporate contributors.

Reports on particularly noteworthy collaborative activities and individual research carried out under IREX auspices, as well as summaries of conferences, symposia, and seminars conducted by IREX, are from time to time issued as short publications in the series *IREX Occasional Papers*. Publication of this series is made possible by a grant from the William and Mary Greve Foundation.

Library of Congress Catalog Card Number:

Copyright 1980 IREX

IREX Occasional Papers, Volume 1, Number 2

CONTENTS

Preface	
Allen H. Kassof	5
Introduction	
H. Eugene Douglas	7
U.S. Research on the Soviet and East European Economies and the Academic Exchanges	
Edward A. Hewett	11
U.S. Research on the Soviet Economy and the Academic Exchanges: A Comment	
Herbert S. Levine	25

PREFACE

This *IREX Occasional Paper* is one of a series summarizing a conference which was organized to evaluate the results of twenty years of scholarly exchanges with the USSR and Eastern Europe.

The "Conference on Scholarly Exchanges with the USSR and Eastern Europe: Two Decades of American Experience" was held from May 10-13, 1979, in Washington, D.C., at the School of Advanced International Studies of the Johns Hopkins University. More than 300 participants assessed what U.S. scholars and specialists have learned from the exchange experience in order to communicate their conclusions to the nation's public affairs community--to colleagues in government, business, journalism, and to other professionals concerned with the analysis of Soviet and East European behavior and the formation and consequences of American policy towards that part of the world.

Under the heading of *Economic Management and Mismanagement* Edward Hewett presented his observations on the role of the exchanges in research on the Soviet economy. He has now revised his paper to include Eastern Europe within his purview. Herbert Levine succinctly reviews the major points of his discussion of the original paper at the conference. The introduction to this *IREX Occasional Paper* was prepared by Mr. H. Eugene Douglas, Director, International Trade and Government Affairs, Memorex Corporation, who chaired the panel at which the original paper was presented.

The paper was edited and prepared for publication by Dorothy Knapp and Cynthia Merritt, IREX Information Services.

Allen H. Kassof
Executive Director
January 1981

INTRODUCTION

In 1961 Colonel Oleg Penkovsky called attention to the Soviet Union's plans to achieve strategic nuclear superiority, and also warned of the problem of perceptions. He stressed the importance for the Western leaders to understand Soviet doctrine and also to understand the Soviet concept of Western doctrine. Although Penkovsky's comments were directed at military doctrines, the issue of perceptions of economic doctrine is also pressingly important.

Today, our current base of expertise is far from adequate to deal with the scope and complexity of the economies of the Soviet and Eastern Europe. Neither do we have the resources or the programs in place to study the Soviet and East European perceptions of our own economic doctrines and the manner in which we implement these around the world. Moreover, it is not comforting to observe that we have fewer and fewer young people working on Soviet and East European topics. The decline of national emphasis on foreign area studies and foreign language training has been further aggravated by constrictions in available funds for the long periods of preparation and the necessary periods of residence abroad. It is no wonder that many economics students are discouraged from taking the difficult road of specialization in Soviet and East European economies.

It is ironic that the U.S. should experience a declining base of experienced specialists in Soviet and East European economics at a time when America faces a highly complex situation arising from the expanding and even aggressive role of the Soviet Bloc in the world economy.

Professor Edward Hewett discusses many of the more important considerations which bear on U.S. economic research on the Eastern economies, and the role academic exchanges with the U.S.S.R. and Eastern Europe have played in the research of American economists. Professor Herbert Levine, in a brief postscript, gives his own evaluation of their role, especially in the training of economists with a Soviet or East European competence.

H. Eugene Douglas
Memorex Corporation

U.S. RESEARCH ON THE SOVIET
AND EAST EUROPEAN ECONOMIES
AND THE ACADEMIC EXCHANGES

Edward A. Hewett

I. Introduction

Today the U.S. surpasses all Western countries in the quality and quantity of expertise on the Soviet Union and Eastern Europe. Such are the fruits of a commitment over the last several decades by the U.S. government, foundations, and universities to encourage area studies training and extensive research on these countries. The resulting cadre of specialists, spread throughout government, the universities, research institutes, and business, is constantly providing analyses helpful to government policy-makers and to businessmen dealing with Eastern countries.

Government and business are calling on that cadre with greater frequency as they seek to deal with the increasingly complex issues arising out of the expanding role of the USSR and Eastern Europe in the world. Economics, and particularly the nature of the Soviet economy, frequently play a major role in these issues. The important political issues concerning the USSR in fact contain large economic components. The Soviet capacity to produce and maintain a formidable defense capability is grounded in Soviet economic performance. The political stability of the Soviet regime is intimately linked with the economic system's ability to generate an adequate and growing supply of acceptable consumer goods, while simultaneously meeting other needs. Soviet-East European political relations are intertwined with the ability and willingness of Soviet politicians to use their economy to subsidize Eastern Europe. The appeal of central planning to less developed countries seeking an industrialization strategy is an issue in the politics as well as the economics of various economic systems.

Because of the growing interdependence between the East and the West, the "pure" economic issues surrounding governmental and business policies towards the USSR and Eastern Europe are of more concern to us now than at any time in the post-war period. Soviet prospects for producing and exporting oil provide an obvious example. Whether the USSR will participate in world oil markets in the 1980s as a net exporter or importer of crude oil, while in part a geological question, is to great extent determined by the Soviet economic system itself--how the production and exploration for oil will be handled, and Soviet policy on supplying East European needs. The economics of Soviet grain harvests, the impact of imported

Western technology on Soviet and East European growth, the potential contribution to Soviet economic growth of new large U.S.-guaranteed credits, and the impact of granting most favored nation treatment to imports from the USSR, are but a few of the issues important to U.S. policy-makers and businessmen concerned with the USSR and Eastern Europe.

In sum, the U.S. faces an imposing and complex set of issues arising out of the expanding role of the USSR and Eastern Europe in the world economy. In the future, we shall need answers to a number of very tough questions related to these issues. Soviet and East European economists cannot be relied upon to provide the answers we need, although naturally enough they will be ready with their own answers to our questions. We ourselves must maintain a large group of people expert in such questions. Yet, strangely, as the agenda of issues grows in complexity, our resolve to maintain specialists capable of dealing with such issues seems to weaken.

A very good case can be made for increased, not decreased, support of economists' work on the USSR and Eastern Europe and increased support for the training of new specialists on the centrally planned economies. Economists are now moving into new and exciting areas of research which should provide fresh insights into many issues of constant concern to policy-makers and business leaders dealing with Eastern countries on a daily basis. This essay discusses the major lines of research on these economies and the policy implications of that research.

The issues concerning the Soviet Union, Eastern Europe, their mutual economic relations, and their relations with the rest of the world, are all intertwined. Research on Eastern Europe informs our research on the USSR, and vice versa. The economic performance of a particular CMEA country is related to that of other CMEA countries. The USSR is the hub of this universe, and the following comments will pertain largely to the USSR. However, discussing research about the hub is in no way meant to detract from the spokes. They are all of a piece.

Nor should the following remarks about economics be construed to imply that other areas of study--the other social sciences and the humanities--are unimportant for Eastern countries. What we have now in our older generation of economists is in many cases individuals who know their *areas*--the culture, the language, etc.--well, but who are particularly interested in the economies, the political system, and so on. We need those sorts of individuals in the younger generation. The danger of a lessened commitment to area studies is that we will get only people who know their economics or political science, and a little bit about the culture, history, or language of the USSR, or Hungary, or Poland. These

people are less useful to policy-makers because they tend to miss the hyphenated parts of socio-economic or political-economic issues.

In the next section I review the work economists have done on the USSR, emphasizing in particular the new and promising lines of research which have relevance for issues important to the U.S. This emphasis on policy-relevant research means that I will largely ignore pure theoretical research, which will affect policy-relevant research much later. In Section III, I discuss the role exchanges have played in research on the Soviet economy, and their prospective role in the future. Section IV discusses the much different and more significant role of the exchanges in research on the East European economies.

II. The State of Research on the USSR Economy and on Central Planning

The political foundations of study of the Soviet economy have remained constant in the post-war period; what has changed is our ability to separate political judgments or emotions from statements about objective reality. As we have accumulated knowledge about the Soviet economy, we have come to appreciate its weaknesses and also its strengths, both the human costs associated with its development and the human rewards. As a result, simple labels and dichotomies have given way to more subtle distinctions reflecting a more sophisticated grasp of the entire Soviet experience.

Also, our interest in the Soviet economy has been intertwined with an interest in central planning. In fact, it is the existence of Soviet and East European central planning which spawned the branch of economics called comparative economic systems.

Much of the work on the Soviet economy has been built around three themes:

- 1) How the system is organized, and how it operates;
- 2) How efficiently it operates, evaluated either in terms of the goals planners and politicians set for it, or in terms of hypothetical performance were perfect markets allocating resources;
- 3) How it performs relative to other Eastern and Western countries.

The Organization and Operation of the Soviet Economy

The organization and operation of the Soviet economy is the fundamental issue engaging Soviet specialists. U.S. economists have, in the last quarter century, produced an enormous volume of work on how Soviet central planning operates. Virtually all of the

information for these studies is based on Soviet publications available in the West, or at least available to exchange scholars working in Soviet libraries. This material ranges from organization charts and official discussions of how the system operates, to newspaper articles, to letters to the editor complaining of failings in the system. Soviet planners themselves have not been kind enough to publish oral histories about their work; and the archives of Gosplan are not open to us. Still, we have gleaned what seems to be a fairly accurate qualitative picture of how the system generates economic decisions.

Economists agree on many features of the Soviet economy. Careful study and the passage of time have convinced us that this is a viable system. We have moved beyond the "God knows how they do it" view to a more sophisticated view which recognizes that this bureaucracy--like many bureaucracies--has developed numerous mechanisms to help it muddle through. The system was surely at its "best" (most decidedly, only in the economic sense of the term) in the 1930s through the 1950s when industrialization and recovery from war's devastation required massive commitments of labor and capital to various sectors. Soviet-type central planning is very good at huge, well-defined tasks, such as building a chemical industry. It is also a politically astute system in the stability, or appearance of stability, which it offers the populace through guaranteed jobs and stable prices. Such stability is not free, but that is not the point.

The system is weakest in solving the resource allocation problems of an industrialized country, namely, the provision of high quality, diverse commodities to increasingly discriminating customers. This requires that managers and workers share much more interest in the details of the product or service they produce than the Soviet system can engender. Central planners can easily induce enterprises to produce shoes and induce people to accept whatever is produced when the people are virtually barefoot. But it is much more difficult for central planners to plan for precisely the right shoes to get to people who already have several pairs and only want to add a very particular pair to their collection.

In effect, the weakness of the Soviet economy is its horizontal links: producers to customers (in the USSR or abroad), researchers to plant managers making new investments, and so on. This leaves the USSR at a disadvantage in competing with multinationals in Western export markets, and in competing with other governments in guaranteeing the supply of consumer goods to the populace. The system is an anachronism; it has done its "mobilizing," and it is now time to change. But systems do not change unless they must, and the Soviets have done well enough so that they have not

been forced to change their economic system. This systemic stability will almost certainly continue in the near future until the question of Brezhnev's successor is resolved.

The weakness of these descriptions is that they can produce "feelings" about how the Soviet economy operates which, while quite instructive, are nevertheless rather imprecise. What Soviet planners are working with is not at all imprecise: tons of steel, numbers of cars, barrels of oil, and so on; and what one should like to be able to do is to begin to predict quantitative outcomes of the planning process. The prerequisite for such a capability is good aggregate data on how the system has performed, and U.S. economists have led the field in initiating and carrying forward the reconstruction of published Soviet data in forms usable by analysts. I am thinking, for example, of Abram Bergson's (and later Abraham Becker's) work on Soviet income accounts; of Vladimir Treml's work on Soviet input-output tables; and of Richard Moorstein's and Raymond Powell's work on estimating the Soviet capital stock. Reconstructing the record was indispensable to making sense out of plentiful, but frequently disorganized and sometimes disingenuous, official Soviet data. That remains an important task and one which the U.S. government and others have continued to undertake.

In the 1970s, primarily the younger generation of specialists on the Soviet economy began to take a new and very promising approach to studying the organization and operation of the Soviet economy. They combined the qualitative information accumulated in the descriptions of the Soviet planning process, Soviet and reconstructed Soviet data, and modern quantitative techniques to develop more precise models of the operation of the Soviet and East European economies. By far the most promising avenue of research in this area is the estimation of large econometric models of the Soviet and East European economies. The largest, most well-known, and most successful of these projects to date is the SOVMOD series of models of the Soviet economy, a joint effort of a team of researchers at the Wharton School and Stanford Research Institute under the direction of Donald Green and Herbert Levine.

Numerous econometric models of the U.S. economy are heavily used by U.S. policy-makers and corporations in their attempts to predict U.S. economic performance, and to predict the effects of potential policy changes--for example, a tax cut--or changes in the world economy, such as a rise in the price of oil. SOVMOD now provides a similar tool for the Soviet economy, one which obviously would be useful to Soviet planners (they do not have a model of their own of similar scope), but is also useful to our policy-makers. SOVMOD, or future generations of similar models, gives us the capability to ask how the Soviet economy will respond to a low

wheat harvest, a cut in Western-supplied credits, an increase in the price of oil, and so on. These are important questions for policy-makers in the U.S. and Western Europe who wish to understand Soviet economic behavior and how various changes in the world economy might affect it. Models such as SOVMOD are also being built for Eastern Europe, and all of these models are being built into models of the world economy. This will allow us to develop a much more precise understanding of how the Soviet Union and Eastern Europe interact with the remainder of the world's economies; again, extremely useful information.

Individual aspects of the Soviet economy--production, consumption and foreign trade being three examples--have also been topics of much research. This work enhances our understanding of how processes work in parts of the system, and also will act as a building block for future efforts at macroeconomic models. Initial efforts to model the planners themselves in their decisions about major macroeconomic variables (for example exports, investment, and consumption) are particularly interesting. It turns out that there is a great deal of regularity in the way planners respond to changes in the performance of their system (e.g., a change in the balance of payments), which allows us to predict their behavior. This obviously has very important implications for large macroeconomic models of Eastern countries, and for our ability to predict accurately what Soviet planners will do in certain situations.

Americans are far more advanced in this research on the applications of econometrics to the study of the centrally planned economies than the Soviets and East Europeans themselves, even though such models hold obvious potential benefits for planners in Eastern countries. There are complex reasons for this, some of which relate to the relative ease with which U.S. economists can use computers, and some have to do with the much stronger behavioralist traditions in U.S. economics. Nevertheless, econometric models are being built in the Soviet Union and Eastern Europe, and this is an area of beneficial ongoing cooperation. The mutual benefits of better econometric models of the Eastern economies are obvious, and we are exchanging economists, data, models, and ideas in an effort to improve these models.

On the other hand, planners' behavior is one particular area of research in which only Western economists can be relied upon to produce much progress. Planners in the Eastern countries do not seem to like to be modelled (what bureaucrat does?); and, as a result, very few models emphasizing planners' behavior are being built there. On the contrary, their models are built to assist planners. Because in the U.S. we are particularly interested in the responses of these systems to external shocks, we *must* be concerned with planners' behavior. This is why U.S. efforts to model these economies will continue and should be supported.

Economic Efficiency and the Soviet Economy

Work on the economic efficiency of the Soviet economy is closely linked to the first theme and continues to concern many economists. However, the questions asked about efficiency have changed considerably over time. In the 1920s, when socialist central planning was mostly theory and no practice, economists engaged in a lively debate about whether it would work at all in the absence of markets and private ownership of the means of production. The consensus was that it could not. More than sixty years after the Russian Revolution, and three decades after central planning came to Eastern Europe, it is obvious enough that central planning is a viable way to arrange resource allocation. Consequently, economists' attention has shifted towards the costs of using such a system. Studies in the 1950s and 1960s tended to look for efficiency costs by comparing actual economic outcomes in the USSR with those which would obtain were perfect markets in operation. By that criterion, the costs are undoubtedly large. It is, however, a harsh measuring rod since Western countries themselves deviate substantially from perfection in their market arrangements, with resulting costs imposed on the system. Comparing economic performance in the USSR with that of a perfectly competitive market implies that it should attain a level of performance that Western countries themselves have fallen short of.

The more relevant comparison is between economic performance in the USSR and what that performance would have been in the absence of Soviet central planning. Such a comparison would require counterfactual history on a scale of which economists are totally incapable at present. While we may be able to conceive the outlines of a model allowing us to inquire what economic performance would have been in the absence of the 1917 revolution, or in the absence of Stalinist economic policies, we cannot yet build such a model.

Still, these lines of inquiry are important. They address underlying themes in the attitudes many Americans have towards the USSR and Eastern Europe, namely that those countries would have been better off without the systemic changes which occurred there. The field of comparative economic systems is coming into its own in its attempt to grapple with the issue of how to compare the economic performance of a country with what performance might have been had another economic system prevailed there. And work on these problems has led researchers to the third theme mentioned earlier: comparisons among many countries.

Empirical Comparisons of Economic Performance of Many Eastern and Western Countries

The most recent and comprehensive conceptual efforts in this area have been by Tjalling Koopmans and J. Michael Montias, who have proposed techniques for useful comparisons of the performance of economic systems. They emphasize that differences in performance indicators among economies--say GNP per capita--may be only partly explained by system differences. One must also take account of the policies followed over time in a particular system. Just as there are market economies where government macroeconomic policies may be deemed well-founded, or ill-founded, the same can be said for centrally planned economies. If one wishes merely to compare the effects of systems on performance, the results of good and bad policies must somehow be netted out. In addition, real economies have dramatically different histories, and these too must be accounted for. Wars, geography, different stages of development, and geology influence how economies perform irrespective of their systems.

The practical significance of this perspective for performance comparisons between, for example, the USSR and the US is that the very large differences we see cannot automatically be attributed solely to differences between market and planned economies: policies and the special histories of these countries must also be taken into account. If people want to say that Soviet per capita GNP is 40% of the U.S. figure solely because of system differences, they may be mistaken.

Empirical research in this area is only beginning to gather momentum and develop sophistication. The philosophy of this approach is that one can isolate the impact of systems on performance by applying multivariate statistical techniques to variables for many countries at a point in time. Suppose you hypothesize that, because of central planning, the USSR trades less than market economies do. Obviously this is true in terms of a comparison of trade/GNP ratios between the US and the USSR. But the USSR is at a much lower level of economic development, and lower levels of development are associated with lower levels of trade. Several economists have collected data on levels of imports and levels of development for a number of countries during a given year. Then, using regression techniques, they have shown that the USSR seems to trade less than Western countries would trade *at that level of development*. Similar techniques have produced a similar result for the supply of services to the Soviet population. Similar techniques applied in my own work show that the USSR consumes no more energy than one would expect of other countries in similar situations.

The existence of different systems in the USSR and the U.S. started this line of research, but it is now expanding much beyond that into a general interest in system differences and differences in economic performance. As the quality and quantity of research expands, we can expect some interesting and possibly surprising results about the Soviet Union and Eastern Europe.

This is basic research with little policy relevance at present, but it could well provide assistance to policy-makers in the future. If we can understand the performance of the USSR economy relative to the world's economies in the past, we will have begun to predict that relative performance in the future. In addition, such research enhances our understanding of the operation of the Soviet economy in comparison with other real systems.

III. The Role of the Exchanges in Research on the Soviet Economy: Past and Future

Historically, academic exchanges with the USSR have played a relatively minor role in the developments recounted in the last section. Many of the most productive and respected scholars studying the Soviet economy have not participated at all in them, or have participated only for brief time periods. I suspect the future will be different in this regard and that the exchanges will play more of a role. Even so, that role will probably differ from the typical role for many of the other academic disciplines.*

Why such a minor role in the past? All I can do is guess, based partly on my own experience, why American economists tend to avoid long stays in the USSR.

The benefits of going are really not terribly great for most economists, although there are exceptions for some people at particularly fortuitous times for his or her topic and Soviet-American relations. Basically, the problems are political: Soviet authorities make it abundantly clear to their economists that they will receive no kudos for helping an American with his or her research. Therefore, contacts with counterparts tend to be formal, and may be rather few in number. Informal contacts are quite rare. Thus, much of the discussion with Soviet colleagues will not be terribly revealing, and the revealing points will be minor.

* I must emphasize most strongly that economists in the Soviet and East European exchanges have had dramatically different experiences, and what I have to say here about the Soviet exchange does not apply to the East European exchanges. A final section of this paper discusses briefly the contrasting experience of economists who have participated in the East European exchanges.

Benefits are also small because one rarely can find and use unpublished data or unpublished manuscripts. Statistical yearbooks far more detailed than the published versions are circulated on a limited basis and are literally classified documents: Many Soviet economists outside government offices are refused access to these data, and all American economists will be refused access. The only written material available to exchange scholars which they cannot obtain through ordering Soviet publications are dissertations and books printed in small numbers which are available only through libraries in the USSR. These have evidently proven a valuable source of information for some scholars, but I doubt if any would argue that these are sufficient reason to go to the USSR.

Finally, the long stay provides one with a feeling for urban Soviet life which it would take a good deal of reading to replicate. This is a substantial benefit, and certainly translates into making for the more well-rounded economist I discussed earlier, but it is a difficult benefit to measure, and it seems to be very difficult to build it into one's research in any tangible way.

In some areas of economics, such as mathematical economics, the benefits of going to the USSR are greater. The subject matter is theory, not how things actually work, and, in that case, the chances of close collaboration with one's colleagues are much greater.

At the other end of the spectrum are topics such as foreign trade which seem to rank in the minds of Soviet authorities somewhere right below defense as a high-security sector. It would be a very long shot indeed for a scholar working on foreign trade problems to plan to spend a long time period in the USSR.

The costs of going to the USSR can be rather great for an economist, particularly a young, quantitatively-oriented person. American scholars are blessed with access to the most powerful and easily accessible computer equipment in the world, and they increasingly use it as an integral part of their research. By comparison, as a rule, Soviet scholars have only modest computer facilities made available to them, and, consequently, have not developed the econometric expertise characteristic of a well-trained American economist. Thus, any appreciable time period an American economist spends in Moscow is time lost for quantitative research. For younger economists interested in promotion, that is a significant cost since it means lost research output, no small matter in these days of a "tenure crunch." Add to that the more hassled daily life and the lack of contact with colleagues, and it is easy to understand why the costs to an American economist are relatively high.

This cost side of the ledger differs for different people. For someone whose primary research tool is the library, not the computer, or a mathematical economist whose main research tool is simply thinking, the costs are much lower. But, in general, the costs seem high, and when balanced with the benefits, may explain why economists have avoided long stays in the USSR. This will be increasingly true as young quantitatively-oriented economists come to dominate the field. Their stock in trade is data, interesting theories, and fast turnaround time on a good computer. Unless things change drastically, these will make a stay in the USSR look quite unappealing.

The predominant forms of exchange between Soviet and American economists in the future may be short stays by individuals or delegations and conferences. The costs are much lower, and the benefits may be almost as great as a long stay, i.e. one may be able to arrange almost as many interviews.

Conferences have proliferated in the era of détente. These generally take the form of a meeting of about a week's duration in which papers are presented on a set of common topics, followed by formal and informal discussions. My experience with several such conferences indicates that there is some information exchanged which is unpublished but usually forthcoming, but almost no data. I am reminded of one recent conference in Moscow on East-West trade in which a Soviet economist presented a paper discussing Western credits to the USSR in which the data were from the Chase Manhattan Bank.

It may be too early to assess the effects of these conferences on what we know or can learn about the USSR, since many of those effects may only come as a result of long-nurtured contacts, many papers exchanged, and so on. If the Soviets value these exchanges, as they seem to, and if we make it clear what will keep us interested--more data and more straight talk about their system--then maybe something will come out.

IV. The Role of Exchanges in Research on the East European Economies

The East European exchanges have provided a much more promising avenue for economists to study central planning under socialism. While this is not true of all countries at all times, in the 1970s in Hungary, Poland, and Yugoslavia the benefits of on-site research have been much greater than for the USSR, and the costs somewhat lower. Bulgaria, Czechoslovakia, East Germany, and Romania are, for various reasons, closer to the Soviet Union on both sides of the ledger. While that may not continue to be the case, I shall confine my discussion below to the more striking cases of Hungary, Poland, and Yugoslavia.

There are several reasons why the benefit side of the ledger is much higher for Eastern Europe than it is for the USSR. First, East European economists are much more informed about, and sympathetic to, Western approaches to economics. In fact, the contributions of Polish economists such as Kalecki and Lange, Hungarian economists such as Kornai, and Yugoslav economists such as Horvat, form an important part of "Western" economic literature; and there are many younger, less well-known economists in those countries who follow those traditions.

Furthermore, East European economists are frequently willing and eager to work closely with Western visitors, helping them where possible in understanding how the economic system operates. This means that a visit to Eastern Europe will not only involve library work, but also sustained and repeated contacts with knowledgeable economists, so crucial to developing a deep understanding of the economic system.

Finally, the data are better and more plentiful in much of Eastern Europe than they are in the Soviet Union. Classified versions of statistical yearbooks are still circulating among the country's economists, and one cannot and should not hope to see or use these. But just the published data are plentiful enough that being in the country, using the data, and talking to East European economists about the nuances of the data, can be extremely useful.

The costs for an economist of going to Eastern Europe for some period of time may be lower than those of going to the Soviet Union. Computer facilities are generally more readily available. Western journals are easier to find and use. Life is somewhat easier to arrange than it is in the USSR. Nevertheless, the major reason for economists' using the East European exchanges is the rather high potential benefits.

Ironically, despite these potential benefits, the East European exchanges are underutilized by U.S. economists, a direct result of the fact that Eastern Europe is studied less than the Soviet Union. The USSR is a prominent member of the world of nations, while the East European nations have historically played a modest role on the world stage. Eastern Europe *as a region* is more important, but the dazzling range of cultures, institutions and languages discourage all but a few to attempt to develop a true area expertise in Eastern Europe. Still, the fact that some of the most interesting economic experiments in socialist countries are going on in Eastern Europe, and the fact of relatively easy access, seem to be drawing more economists into the study of those countries, and one can only hope that trend will continue.

Some of the best economists we have working today on the Soviet Union and Eastern Europe have at one time or another been on the East European exchanges, and one can easily see the results in their published research.

Recently seminars between U.S. economists and economists from individual East European countries have grown in importance as they have brought together significant numbers of U.S. specialists on Eastern Europe and prominent East European economists. Some of these seminars are ongoing affairs in which the participants present papers on research topics of mutual interest, relating usually, though not exclusively, to East-West economic relations (for example, I have arranged seminars with Hungarian economists in recent years; Marvin Jackson and Joe Brada have done the same with Romanian economists). Some cases involve genuine joint research, the most prominent case of which I am aware being Paul Marer's large ongoing project with Polish economists on the topic of East-West industrial cooperation. Based on my experience with these seminars, they are very useful affairs in which both sides learn a great deal. They cannot substitute for the exchanges, but they do serve as vehicles for brief intense contact among scholars, some of whom would not be able to visit the partner country for the longer period characteristic of the exchange.

Through these contacts the U.S. economic community has developed fairly good lines of communication with economists in Eastern Europe, much better on the whole than the lines between U.S. and Soviet economists. This improved knowledge about Eastern Europe, and their increasing knowledge about us, are obviously valuable to both sides. One can only hope that funds will continue to be available to support these activities.

EDWARD A. HEWETT is associate professor of economics at the University of Texas at Austin. He received his B.S. in 1964 and his M.A. in 1966 from Colorado State University and his Ph.D. in 1971 from the University of Michigan. A participant in the IREX exchange to Hungary in 1974-1975, he has published numerous articles on economics and trade with the Soviet Union and Eastern Europe. In 1976, Mr. Hewett was awarded a grant by the Bureau of East-West Trade of the U.S. Department of Commerce for research on "The Implications for U.S.-East European Economic Relations of Recent Developments in East-West European Economic Relations." He received IREX grants in 1976, 1977, and 1978 to continue a series of U.S.-Hungarian conferences on economics, begun in 1973. Mr. Hewett also serves as a member of the editorial board of *Soviet and East European Trade*.

U.S. Research on the Soviet Economy and the Academic Exchanges:
A Comment

My discussant's comments on Ed Hewett's most interesting and thoughtful paper will be brief. I find little fault with the general outlines of his synoptic survey of the main lines of past and current research on the Soviet and East European economies. I also find no fault with the case he makes for the need to increase the training of economists in the current period who will be capable of doing useful work in the Soviet and East European areas and who will in the process be able to provide valuable insights and advice to U.S. policymakers.

Ed's arguments in regard to the value of the exchanges to economists pertain primarily to their contribution to economic research, and differentiate between exchanges with the Soviet Union and with Eastern Europe, and between long and short research visits.

I agree with Ed that exchanges with East European economists are more productive than those with Soviet economists and for the very reason that he states: East European economists are willing to work in a rather open collaborative manner with American colleagues, while Soviet economists find substantial openness and cooperation, in the Soviet Union, to be uncomfortable given the conditions, especially with regard to data, under which they work. I disagree, however, with the argument that research visits to the Soviet Union are of little value. First, there are occasions, as Ed himself states, when data that are not available in published form can be acquired, usually from the reading of kandidat and doctoral dissertations and on rare occasions from Soviet colleagues. Second, there are situations, for example in regard to agriculture, when direct observation of the subject being studied is of great value in providing insights that cannot be acquired from the literature or even from interviews of emigres, and the opportunity for this direct observation is often provided to the economist who is accepted on the exchange program. And third, subtleties of understanding can be acquired by the exchange economist who is in contact with Soviet counterparts even when this contact is not as

close as one would like.

It is true that many of these advantages can be obtained on a reasonably short, 2-3 month, exchange visit rather than a longer one. But in regard to the potential advantages of long exchange visits, Ed's concentration on the direct value of the exchanges to economic research leads him to underplay the advantages of long visits to the training of economists and its effect on the quality of research. Here the advantages are substantial and are similar to the value of the exchanges in the other disciplines: mastering of the language; identification and familiarization with source materials and the organization of Soviet universities and research institutes (who are the Soviets who write on Soviet economics, how are they trained, how are they grouped, under what constraints do they work, who are the good, serious Soviet economists); and, of course, the acquisition of a feel for the Soviet system and its nuances. The contribution of long visits under the exchange program to the training of economists has made and will continue to make an important contribution to the quality of American research on the Soviet economy.

Herbert S. Levine
University of Pennsylvania